

**AUDITED FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTAL INFORMATION  
OTHER FINANCIAL INFORMATION  
AND SUPPLEMENTAL REPORTS**

**WESTERN UPPER PENINSULA  
MANPOWER CONSORTIUM  
IRONWOOD, MICHIGAN**

**June 30, 2007**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Consortium Western Upper Peninsula Manpower	County Gogebic
Fiscal Year End June 30, 2007	Opinion Date January 22, 2008	Date Audit Report Submitted to State February 1, 2008	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☐ ☒ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No separate letter issued	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Joki, Makela & Pollack, PLLC		Telephone Number 906-932-4430	
Street Address 301 N. Suffolk Street		City Ironwood	State MI
		Zip 49938	
Authorizing CPA Signature 		Printed Name Anthony R. Pollack	License Number 1101013282

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**JOKI, MAKELA & POLLACK, P.L.L.C.**

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Directors  
Western Upper Peninsula Manpower Consortium  
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Consortium's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Western Upper Peninsula Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium as of June 30, 2007, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, on our consideration of Western Upper Peninsula Manpower Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 25, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Western Upper Peninsula Manpower Consortium's basic financial statements. The accompanying Other Financial Information, which includes the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Joki, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
January 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2007

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**Management's Discussion and Analysis**

This section of the Western Upper Peninsula Manpower Consortium's (Consortium) annual financial report presents our discussion and analysis of the Consortium's financial performance for the year ended June 30, 2007. It is to be read in conjunction with the Consortium's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the year ended June 30, 2007.

**Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Consortium as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Consortium's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Consortium that include all services performed by the Consortium. These activities are funded by federal and state grants.

The statement of net assets shows the Consortium's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets or deficit of the Consortium. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the Consortium; the greater the net asset figure, the healthier the financial position of the Consortium generally is. It helps management determine if the Consortium will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Consortium. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Consortium.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Fund Financial Statements

The Consortium's fund financial statements show detail of funds that are determined to be significant, called major funds. The Consortium has only one fund. That fund is a special revenue fund which is the major governmental fund. The Consortium has no nonmajor funds.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Consortium's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

### Government-wide Financial Statements – Condensed Financial Information

#### Statement of Net Assets

The following is the June 30, 2007 and 2006, condensed statement of net assets with a detailed analysis of the statement below.

		Governmental Activities	
		June 30,	
		<u>2007</u>	<u>2006</u>
ASSETS			
Current Assets:			
Cash	\$	23,276	\$ 37,024
Accounts receivable		219,372	151,559
Other current assets		<u>10,903</u>	<u>9,632</u>
Total Current Assets	\$	253,551	\$ 198,215
Capital assets, net of accumulated depreciation		<u>38,856</u>	<u>38,227</u>
Total Assets	\$	<u>292,407</u>	\$ <u>236,442</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Government-wide Financial Statements – Condensed Financial Information (Continued)

### Statement of Net Assets (Continued)

		Governmental Activities	
		June 30,	
		2007	2006
<b>LIABILITIES</b>			
Accounts payable		\$ 177,216	\$ 124,716
Other current liabilities		<u>76,335</u>	<u>73,499</u>
	<b>Total Current Liabilities</b>	\$ 253,551	\$ 198,215
Long-term liabilities		<u>20,097</u>	<u>18,646</u>
	<b>Total Liabilities</b>	<u>\$ 273,648</u>	<u>\$ 216,861</u>
<b>NET ASSETS</b>			
Investment in capital assets		\$ 38,856	\$ 38,227
Unrestricted (deficit)		<u>(20,097)</u>	<u>(18,646)</u>
	<b>Total Net Assets</b>	<u>\$ 18,759</u>	<u>\$ 19,581</u>

The Consortium's net assets are \$18,759 at June 30, 2007. This is a decrease of \$822 from the prior year. Capital assets are \$38,856. This figure is derived by taking the original costs of the Consortium's assets and subtracting accumulated depreciation to date. The Consortium had no debt related to fixed assets at June 30, 2007 or 2006.

The unrestricted net assets are in a deficit of \$20,097 and \$18,646 as of June 30, 2007 and 2006, respectively. This is the net accumulated results of past years' operations. This deficit is directly attributable to the accrual required for the long-term liability for vacation benefits payable. The nature of the Consortium's operations is based on expense reimbursed grants. Once the vacation benefits are paid out, grants will be charged for reimbursement based on the Consortium's cost allocation plan.

### Statement of Activities

The results of operations for the Consortium are reported in the statement of activities, which follows below. This statement reports the changes in net assets for the years ended June 30, 2007 and 2006.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Statement of Activities (Continued)

	Governmental Activities	
	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Revenue -		
Program Revenue -		
Operating grants	\$ 2,567,149	\$ 2,140,379
Functions/Program Expenses -		
Health and welfare	<u>2,567,971</u>	<u>2,149,237</u>
Decrease in Net Assets	\$ <u>(822)</u>	\$ <u>(8,858)</u>

The Consortium had an overall decrease in net assets of \$822 for the year ended June 30, 2007. The Consortium operates solely on expenditure reimbursed grants and therefore cannot request funds until expenditures are incurred on a modified accrual basis.

The Consortium's revenues totaled \$2,567,149 for the year ended June 30, 2007. Of this amount, \$2,563,629, or 99.9% were from federal grants. The remaining revenues were grant funds from the State of Michigan. \$1,500,919 of the federal grants was from Workforce Investment Act Funds. These funds were composed of eleven different grants, each with their own eligibility and spending requirements. Total revenue increased by \$426,770 from the year ended June 30, 2006. Workforce Investment Act Funds increased over last year by \$286,427 and Work First Funds increased over last year by \$112,603. Participants served and program funding varies from year to year and is dependent upon the economic outlook for the Consortium's six county area and the amount of monies the Federal and State governments allocate to the Consortium.

The Consortium's total cost to fund all governmental activities was \$2,567,971 for the year ended June 30, 2007. All of these costs were funded by grants from other governmental agencies. This shows the reliance the Consortium has on the federal and state government to provide future funding for their programs and administrative costs.

### Fund Financial Statements

The governmental fund financial statements report the Consortium's finances similar to how they have been reported in previous years. The Consortium had no fund balance at June 30, 2007 or 2006. The reason there is no fund balance is that the Consortium is solely grant funded. Grant revenue is expenditure-driven; no revenue is reported until the expenditures are incurred and requested and received from the grantor. No program income is generated by any of the grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **Governmental Fund Budget**

Consortium management prepares and the Board approves a fiscal year budget on an annual basis. Included in the financial statements is a comparison of budget to actual as required. In addition, each grant or program administered by the Consortium has its own spending plan and requirements that govern the use of grant monies. Many of these grants and programs have different starting dates and ending dates that do not coincide with the Consortium's fiscal year end. Each program's expenditures are monitored and compared to budget on an on-going basis as grantor agencies require periodic reporting of grant activities, usually on a quarterly or monthly basis. Program budgets are amended as appropriate by grantors depending on the program spending and activities.

### **Capital Assets**

At June 30, 2007, the Consortium had \$38,856 invested in capital assets. This amount increased during the past fiscal year by \$629, consisting of additions totaling \$14,731 and depreciation charges of \$14,102. All capital asset additions were for computer equipment and accessories used by clients directly related to certain grant programs or for administration.

### **Debt**

The Consortium had \$20,097 of long-term liabilities at June 30, 2007. This amount increased by \$1,451 during the past fiscal year. The entire amount is for accrued vacation benefits payable to employees. The liability for vacation benefits will not be relieved until the benefits are paid out to employees and grant revenues are requested for the expenditures.

### **Future Considerations**

With the State of Michigan and federal government facing financial deficits and spending issues, the funding for various programs administered by the Consortium fluctuates from year to year. The ability of the state and federal government to fund the Consortium operations will determine the future of the Consortium. The Consortium has been granted a waiver from the State of Michigan to self-administer the Employment Services program and Trade Adjustment Assistance program as no bids were received from outside entities for the June 30, 2008 program year.

### **Contacting the Consortium**

If you have any questions about this report or need additional information, contact the Director at the Western Upper Peninsula Manpower Consortium, 100 W. Cloverland Drive, Ironwood, MI 49938.

BASIC  
FINANCIAL  
STATEMENTS

STATEMENT OF NET ASSETS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2007

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ASSETS	
CURRENT ASSETS	
Cash	\$ 23,276
Accounts receivable:	
State of Michigan	219,372
Other	<u>10,903</u>
TOTAL CURRENT ASSETS	\$ 253,551
CAPITAL ASSETS	
Capital assets	\$ 153,316
Less: Accumulated depreciation	<u>(114,460)</u>
TOTAL CAPITAL ASSETS	\$ <u>38,856</u>
TOTAL ASSETS	\$ <u>292,407</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 177,216
Salaries, wages and benefits	68,269
Due State of Michigan	468
Deferred revenue	<u>7,598</u>
TOTAL CURRENT LIABILITIES	\$ 253,551
LONG-TERM LIABILITIES	
Vacation benefits payable	<u>20,097</u>
TOTAL LIABILITIES	\$ <u>273,648</u>
NET ASSETS	
Investment in capital assets	\$ 38,856
Unrestricted (deficit)	<u>(20,097)</u>
TOTAL NET ASSETS	\$ <u>18,759</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES  
 WESTERN UPPER PENINSULA MANPOWER CONSORTIUM  
 Year ended June 30, 2007

		<u>Program Revenues</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
GOVERNMENTAL FUNCTIONS -			
Current -			
Health and welfare	\$ 2,567,971	\$ 2,567,149	\$ (822)
NET ASSETS - JULY 1, 2006			<u>19,581</u>
NET ASSETS - JUNE 30, 2007			<u>\$ 18,759</u>

The accompanying notes are an integral part of the  
 financial statements.

BALANCE SHEET - GOVERNMENTAL FUND  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2007

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ASSETS	
Cash	\$ 23,276
Accounts receivable:	
State of Michigan	219,372
Other	<u>10,903</u>
	<u>\$ 253,551</u>
LIABILITIES AND EQUITY	
Accounts payable	\$ 177,216
Salaries, wages and benefits	68,269
Due State of Michigan	468
Deferred revenue	<u>7,598</u>
Total Liabilities	\$ 253,551
Consortium equity	<u>0</u>
	<u>\$ 253,551</u>

The accompanying notes are an integral part of the  
financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
WITH THE STATEMENT OF NET ASSETS

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2007

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Total fund equity of the governmental fund	\$	0
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Amounts reported for the governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of the capital assets are

\$ 153,316

Accumulated depreciation is

(114,460)

\$ 38,856

Reductions:

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds.

Vacation benefits payable

(20,097)

Total net assets of governmental activities

\$ 18,759

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2007

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Revenues:			
Federal grants		\$	2,563,629
State grants			<u>3,520</u>
		\$	2,567,149
Expenditures:			
Health and Welfare:			
Administration	\$	218,380	
Direct training services		836,448	
Core services - WIA		33,608	
Intensive services - WIA		16,858	
Training and supportive services		394,792	
Training related and supportive services		256,578	
Program costs		605,203	
Retraining		<u>205,282</u>	<u>2,567,149</u>
	Excess of Revenues Over Expenditures	\$	-0-
Fund balance at July 1, 2006			<u>-0-</u>
	FUND BALANCE AT JUNE 30, 2007	\$	<u>-0-</u>

The accompanying notes are an integral part of the  
financial statements.



RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2007

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Total net change in fund balance - governmental fund	\$	0
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeds capital outlay in the period.

Depreciation expense	\$	14,102	
Capital outlays		<u>(14,731)</u>	629

In the statement of activities, operating expenses for compensated absences are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount paid for compensated absences was less than the amount earned.

<u>(1,451)</u>
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Change in net assets of governmental activities	\$	<u>(822)</u>
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The accompanying notes are an integral part of the financial statements.

NOTES TO  
FINANCIAL  
STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2007

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#### NOTE A - REPORTING ENTITY

Western Upper Peninsula Manpower Consortium (the Consortium) was created under State of Michigan Public Act 8 of 1967 to administer the Federal Comprehensive Employee Training Act of 1973, administered the Jobs Training Partnership Act of 1982 and now administers the Workforce Investment Act of 1998. The Consortium operates under an appointed Administrative Board with two members from each of the six counties comprising the Consortium. The Consortium covers a service delivery area of the Michigan counties of Baraga, Gogebic, Houghton, Iron, Keweenaw and Ontonagon with the main office in the City of Ironwood, Michigan, and field offices in the cities of Houghton, L'Anse, Ontonagon and Caspian, Michigan.

The Consortium is, for financial-reporting purposes, a component unit of Gogebic County, Michigan. The financial statements herein present only the financial position and results of operations of the Consortium.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Consortium conform to accounting principles generally accepted in the United States as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies:

##### Basis of Presentation

##### Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Consortium. The activities of the Consortium are considered to be governmental activities.

The government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resource measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Consortium's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. The Consortium has one function, health and welfare, and all of its program revenues are generated from operating grants that are restricted for certain purposes.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, which are considered separate fiscal and accounting entities. The Consortium has only one fund. That fund is a special revenue fund, which is the major governmental fund.

Governmental funds are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current fund liabilities. The Consortium considers revenues to be available if collected within 60 days of the end of the period. Expenditure-based grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

#### Capital Assets and Depreciation

Capital assets include software, equipment, furniture and fixtures and are reported in the government-wide financial statements. Capital assets are defined by the Consortium as assets with an acquisition cost of more than \$5,000 with an estimated useful life of at least three years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The Director may choose to capitalize and depreciate assets costing less than \$5,000 for asset tracking purposes. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function.

The capital assets are depreciated using the straight-line method with a half-month depreciation taken for assets purchased after the fifteenth of each month over the following useful lives.

Computer software	3 years
Equipment, furniture and fixtures	5-20 years

#### Vacation Benefits Payable

The liability for vacation benefits payable is the amount of accrued benefits owed by the Consortium to employees and is recorded in the government-wide statement of net assets as a long-term liability.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investment in Capital Assets

The portion of net assets of the Consortium that consists of capital assets, net of accumulated depreciation and reduced by any long-term liabilities attributable to the acquisition of those assets is reported as investment in capital assets. There were no long-term liabilities associated with these assets at June 30, 2007.

#### Unrestricted Net Assets (Deficit)

Net assets (deficit) not meeting the criteria above are considered unrestricted.

#### Budgets

Each grant or program administered by the Consortium has its own plan, which governs the use of grant monies. An overall budget was adopted by the Consortium Board and accordingly, a budgetary comparison schedule is included as required supplemental information.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgets

The Consortium is required to adopt a budget in accordance with the requirements of the Michigan Uniform Budgeting and Accounting Act, Public Act 2 of 1968, as amended through Public Act 493 of 2000. In accordance with the Act, the following procedures are followed:

1. Prior to July 1, the Director submits to the Board a proposed operating budget for the fiscal commencing July 1. The operating budget includes proposed expenditures and the means to finance them.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted at a regular meeting by Board approval.
4. Any revisions to the budgeted amounts must be approved by the Board.
5. The budget is adopted on the basis consistent with generally accepted accounting principles. The budget lapses at the end of the year.
6. Budgeted amounts presented in the financial statements are as originally adopted, or as amended, by the Board prior to June 30, 2007.

#### Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a local unit of government must amend its budget if it becomes apparent that the local unit's actual revenues will deviate from those budgeted, or if the local unit's expenditures will exceed the amounts appropriated. During the year ended June 30, 2007, the Consortium had actual expenditures in excess of budgeted expenditures in certain budgetary functions and had actual revenues less than were budgeted.

### NOTE D - CASH

Deposits are held by the Gogebic County Treasurer and were made in accordance with State of Michigan statutes. The deposits are in accounts insured up to \$100,000 by the Federal Deposit Insurance Corporation. The payroll account is on an imprest system with a zero balance and is under full control of the Consortium. All expenditures are approved by the Gogebic County Board of Commissioners.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE E - CHANGES IN CAPITAL ASSETS

Changes in capital asset balances for the year ended June 30, 2007, were as follows:

	Balance at July 1, <u>2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2007</u>
Software, equipment, furniture and fixtures	\$ 138,585	\$ 14,731		\$ 153,316
Accumulated depreciation	<u>100,358</u>	<u>14,102</u>	<u>          </u>	<u>114,460</u>
	<u>\$ 38,227</u>	<u>\$ 629</u>	<u>\$ 0</u>	<u>\$ 38,856</u>

All depreciation expense was allocable to the health and welfare function.

### NOTE F - RETIREMENT SYSTEM

The Consortium's full-time employees are covered by Gogebic County, Michigan's defined benefit pension plan. Retirement contributions of \$1,865 for the year ended June 30, 2007, were made to the plan in accordance with actuarially determined contribution requirements. The details, including the net assets available for benefits, of the pension plan are disclosed in Note Q of County of Gogebic, Michigan's Audited Financial Statements for the year ended December 31, 2006.

### NOTE G - OPERATING LEASES

The Consortium leases office space in various locations in its service area on a monthly basis with total annual rent expense of \$116,586. There are no future lease obligations associated with any of the leases. The Consortium also leases various buildings and equipment for specific programs on a short-term basis. The rent expense for these types of rental agreements is minimal with no future lease obligations.

The Consortium subleases portions of building space to various other agencies on a monthly basis with total rent income of \$5,222 recorded as a reduction to rent expense prior to allocation to the various programs for the year ended June 30, 2007. There is no future rent income to be received associated with any of the subleases.

### NOTE H - LONG-TERM LIABILITIES

The long-term liabilities of the Consortium consist of accrued vacation benefits due employees, along with an estimate of payroll taxes on those benefits. The amount increased \$1,451, to \$20,097 during the year ended June 30, 2007. Consortium employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. None of the balance is considered a current liability.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE I - DEFERRED COMPENSATION PLANS

Gogebic County, Michigan (the County) offers its employees a choice of several deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Plans, available to the Consortium's full-time employees, permit employees to defer a portion of their salary until future years. Participation in the Plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan and all income attributable to those amounts are, until paid or made available to the employee or other beneficiary, to be held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Investments are managed by the Plans' trustees under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. During the year ended June 30, 2007, wages of \$1,560 were deferred by Consortium employees.

### NOTE J - RISK MANAGEMENT

The Consortium is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Consortium has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the Special Revenue Fund of the Consortium. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Consortium as of June 30, 2007, will not materially affect the financial condition of the Consortium. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.



REQUIRED  
SUPPLEMENTAL  
INFORMATION

# BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND

## WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2007

	Original and Final Budget	Actual
Revenues:		
Federal grants	\$2,640,000	\$2,563,629
State grants	<u>                    </u>	<u>3,520</u>
	\$2,640,000	\$2,567,149
Expenditures:		
Health and Welfare:		
Administration	\$ 275,180	\$ 218,380
Direct training services		836,448
Core services - WIA		33,608
Intensive services - WIA		16,858
Training and supportive services		394,792
Training related and supportive services		256,578
Program costs	2,364,820	605,203
Retraining	<u>                    </u>	<u>205,282</u>
	<u>\$2,640,000</u>	<u>\$2,567,149</u>
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-
Fund balance at July 1, 2006	<u>-0-</u>	<u>-0-</u>
FUND BALANCE AT JUNE 30, 2007	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of the financial statements.

OTHER  
FINANCIAL  
INFORMATION

# DETAIL STATEMENT OF REVENUES, EXPENDITURES

## WESTERN UPPER PENINSULA

Year ended

	TANF * Type A 2005-06	Work First TANF Type A 2006-07	TANF Type C 2006-07	Wagner- Peyser Act - Employment Services	Total Workforce Investment **
Revenues:					
Federal grants	\$ 141,954	\$ 382,216	\$ 22,000	\$ 129,076	\$ 1,500,919
State grants					
	\$ 141,954	\$ 382,216	\$ 22,000	\$ 129,076	\$ 1,500,919
Expenditures:					
Administration	\$ 8,690	\$ 40,696		\$ 7,770	\$ 133,032
Direct training services:					
Classroom training	\$ 5,933	\$ 18,943			\$ 301,394
On-the-job training					40,625
Other training costs	1,587	11,895			94,764
	\$ 7,520	\$ 30,838			\$ 436,783
Core services - WIA					33,608
Intensive services - WIA					16,858
Training and supportive services:					
In-school youth costs					\$ 251,925
Out-of-school youth costs					142,867
					\$ 394,792
Training related and supportive services	\$ 30,411	204,167	\$ 22,000		
Program costs	95,333	106,515		121,306	280,564
Retraining					205,282
	\$ 141,954	\$ 382,216	\$ 22,000	\$ 129,076	\$ 1,500,919
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund balance at July 1, 2006	-0-	-0-	-0-	-0-	-0-
FUND BALANCE AT JUNE 30, 2007	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

\* Temporary Assistance for Needy Families

\*\* Detail included on following pages

\*\*\* Trade Adjustment Assistance - North American Free Trade Agreement

The accompanying notes are an integral part of the financial statements.

# AND CHANGES IN FUND BALANCE

## MANPOWER CONSORTIUM

June 30, 2007

Michigan Prisoner Reentry Initiative	TAA NAFTA *** Trade Program A		Totals
	2005-06	2006-07	
	\$ 135,933	\$ 251,531	\$ 2,563,629
\$ 3,520			3,520
\$ 3,520	\$ 135,933	\$ 251,531	\$ 2,567,149
\$ 3,390	\$ 6,121	\$ 18,681	\$ 218,380
	\$ 111,370	\$ 129,465	\$ 567,105
			40,625
	18,144	102,328	228,718
	\$ 129,514	\$ 231,793	\$ 836,448
			33,608
			16,858
			\$ 251,925
			142,867
			\$ 394,792
			256,578
130	298	1,057	605,203
			205,282
\$ 3,520	\$ 135,933	\$ 251,531	\$ 2,567,149
\$ -0-	\$ -0-	\$ -0-	\$ -0-
-0-	-0-	-0-	-0-
\$ -0-	\$ -0-	\$ -0-	\$ -0-

DETAIL STATEMENT OF REVENUES, EXPENDITURES  
WORKFORCE  
WESTERN UPPER PENINSULA

Year ended

	Adult Regular	Dislocated Worker			Youth	
		Regular	Type S Scholarship	Rapid Response	Regular	High Concentration
Revenues -						
Federal grants	\$ 479,768	\$ 264,647	\$ 15,667	\$ 52,000	\$ 394,792	\$ 6,993
Expenditures:						
Administration			\$ 1,000			\$ 699
Direct training services:						
Classroom training	\$ 275,007					\$ 5,010
On-the-job training	40,625					
Other training costs	<u>76,684</u>	<u>\$ 17,709</u>				
	\$ 392,316	\$ 17,709				\$ 5,010
Core services - WIA	17,591	16,017				
Intensive services - WIA	9,690	7,168				
Training and supportive services:						
In-school youth costs					\$ 251,925	
Out-of-school youth costs					<u>142,867</u>	
					\$ 394,792	
Program costs	60,171	33,138		\$ 52,000		1,284
Retraining	<u>        </u>	<u>190,615</u>	<u>14,667</u>	<u>        </u>	<u>        </u>	<u>        </u>
	<u>\$ 479,768</u>	<u>\$ 264,647</u>	<u>\$ 15,667</u>	<u>\$ 52,000</u>	<u>\$ 394,792</u>	<u>\$ 6,993</u>
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund balance at July 1, 2006	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE AT JUNE 30, 2007	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of the  
financial statements.

AND CHANGES IN FUND BALANCE -  
INVESTMENT ACT

MANPOWER CONSORTIUM

June 30, 2007

Capacity Building	Incumbent Worker Type I	One Stop	Local Admin	Work Incentive	Regional Skills Alliance	Totals
\$ 72,000	\$ 23,764	\$ 55,000	\$ 121,791	\$ 10,000	\$ 4,497	\$ 1,500,919
\$ 1,440	\$ 2,016	\$ 1,589	\$ 121,791		\$ 4,497	\$ 133,032
	\$ 21,377					\$ 301,394
						40,625
	<u>371</u>					<u>94,764</u>
	\$ 21,748					\$ 436,783
						33,608
						16,858
						\$ 251,925
						<u>142,867</u>
						\$ 394,792
70,560		53,411		\$ 10,000		280,564
						<u>205,282</u>
<u>\$ 72,000</u>	<u>\$ 23,764</u>	<u>\$ 55,000</u>	<u>\$ 121,791</u>	<u>\$ 10,000</u>	<u>\$ 4,497</u>	<u>\$ 1,500,919</u>
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Labor</u>			
Workforce Investment Act (WIA) Programs:			
Passed through State of Michigan			
Department of Labor and Economic Growth:			
WIA Adult Regular	17.258	\$ 479,768	\$ 479,768
WIA Youth	17.259	422,504	394,792
WIA Youth - High Concentration	(17.258, 17.259, 17.260)	6,993	6,993
WIA Type E - Capacity	(17.258, 17.259, 17.260)	72,000	72,000
WIA Dislocated Worker	17.260	279,114	264,647
WIA Dislocated Worker - Type S Scholarship	17.260	15,667	15,667
WIA Incumbent Worker - Type I:			
2006-2007	17.260	23,764	23,764
WIA Local Administration	(17.258, 17.259, 17.260)	122,469	121,791
WIA One Stop	(17.258, 17.259, 17.260)	55,000	55,000
Passed through Eastern UP Employment and Training Consortium -			
WIA Dislocated Worker - Rapid Response 21st Century:			
2006-2007	17.260	52,000	52,000
Passed through Northern Michigan University -			
WIA Regional Skills Alliance	17.258	5,500	4,497
Total Workforce Investment Act Cluster *		\$ 1,534,779	\$ 1,490,919
Passed through State of Michigan			
Department of Labor and Economic Growth:			
WIA Work Incentive Grant - 2006-2007	17.266	10,000	10,000
Total Workforce Investment Act Programs		\$ 1,544,779	\$ 1,500,919
Wagner-Peyser Act - Employment Services	17.207	129,076	129,076
Trade Adjustment Assistance - Trade Program Type A:			
2005-2006	17.245	\$ 375,378	\$ 135,933
2006-2007	17.245	420,124	251,531
		\$ 795,502	\$ 387,464
Total U.S. Department of Labor		\$ 2,469,357	\$ 2,017,459



# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Michigan			
Department of Labor and Economic Growth:			
TANF - Work First:			
Type A - 2005-2006	93.558	\$ 497,210	\$ 141,954
Type A - 2006-2007	93.558	452,563	382,216
Type C - 2006-2007	93.558	<u>22,000</u>	<u>22,000</u>
Total U.S. Department of Health and Human Services		<u>\$ 971,773</u>	<u>\$ 546,170</u>
Total Expenditures of Federal Awards		<u>\$ 3,441,130</u>	<u>\$ 2,563,629</u>

The accompanying notes are an integral part of the  
Schedule of Expenditures of Federal Awards.

# NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2007

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

1. \* Designates a Major Program.
2. This schedule of expenditures of federal awards includes the federal grant activity of the Western Upper Peninsula Manpower Consortium and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
3. The Workforce Investment Act (WIA), TANF – Work First and Trade Adjustment Assistance are considered Type A programs and all other programs are considered Type B programs. The Workforce Investment Act (WIA) cluster was selected as the major program using the risk-based audit approach and the 25% low-risk audit coverage rule.
4. The Consortium provided federal awards to subrecipients for the following programs in the specified amounts as follows:

<u>Program</u>	<u>CFDA No.</u>	<u>Amount</u>
Workforce Investment Act cluster:		
WIA Adult	17.258	\$ 49,965
WIA Regional Skills Alliance	17.258	4,497
WIA Youth	17.259	24,781
WIA Dislocated Worker	17.260	<u>35,369</u>
Total Workforce Investment Act Cluster		\$ 114,612
TANF - Work First	93.558	160,056

5. Expenditures in this schedule are in agreement with the amounts reported in the financial statements.

SUPPLEMENTAL  
REPORTS

**JOKI, MAKELA & POLLACK, P.L.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board  
Western Upper Peninsula Manpower Consortium  
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with standards prescribed by the State Treasurer.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Upper Peninsula Manpower Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Western Upper Peninsula Manpower Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Western Upper Peninsula Manpower Consortium's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Western Upper Peninsula Manpower Consortium's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Western

Upper Peninsula Manpower Consortium's financial statements that is more than inconsequential will not be prevented or detected by Western Upper Peninsula Manpower Consortium's internal control. We consider the deficiencies described as 07-1 and 07-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Western Upper Peninsula Manpower Consortium's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Upper Peninsula Manpower Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Western Upper Peninsula Manpower Consortium's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Western Upper Peninsula Manpower Consortium's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Toti, Mahala & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
January 22, 2008

**JOKI, MAKELA & POLLACK, P.L.L.C.**

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board  
Western Upper Peninsula Manpower Consortium  
Ironwood, Michigan

Compliance

We have audited the compliance of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2007. Western Upper Peninsula Manpower Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Western Upper Peninsula Manpower Consortium's management. Our responsibility is to express an opinion on Western Upper Peninsula Manpower Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the standards prescribed by the State Treasurer; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Western Upper Peninsula Manpower Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Western Upper Peninsula Manpower Consortium's compliance with those requirements.

In our opinion, Western Upper Peninsula Manpower Consortium complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-3.

### Internal Control Over Compliance

The management of Western Upper Peninsula Manpower Consortium is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Western Upper Peninsula Manpower Consortium's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western Upper Peninsula Manpower Consortium's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Western Upper Peninsula Manpower Consortium's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Western Upper Peninsula Manpower Consortium's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Joki, Mahala & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
January 22, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2007

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A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Western Upper Peninsula Manpower Consortium.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The significant deficiencies are not material weaknesses.
3. No instances of noncompliance material to the financial statements of Western Upper Peninsula Manpower Consortium were disclosed during the audit.
4. There was one significant deficiency disclosed during the audit of the major federal award programs to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Western Upper Peninsula Manpower Consortium expresses an unqualified opinion.
6. There was one audit finding relative to the major federal award program for Western Upper Peninsula Manpower Consortium to be reported in Part C of this Schedule.
7. The program tested as the major program was the Workforce Investment Act cluster C.F.D.A. No.'s 17.258, 17.259 and 17.260.
8. The threshold for distinguishing Types A and B programs was \$300,000. The WIA program cluster, TANF – Work First program, and Trade Adjustment Assistance program were considered to be Type A and the other programs to be Type B.
9. Western Upper Peninsula Manpower Consortium was determined to be a low-risk auditee.



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

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### B. FINDINGS - FINANCIAL STATEMENT AUDIT

#### FINDINGS

##### (07-1) Budgeting

###### State of Michigan Public Act 621 of 1978

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a local unit of government must amend its budget if it becomes apparent that the local unit's actual revenues will deviate from those budgeted, or if the local unit's expenditures will exceed the amounts appropriated. During the year ended June 30, 2007, the Consortium had actual expenditures in excess of budgeted expenditures in certain budgetary functions and had actual revenues less than were budgeted.

We recommend the Consortium review the requirements of the Act and amend the budget in the future as needed.

Management has agreed to do so.

##### (07-2) Ability to Prepare Financial Statements and Related Note Disclosures

Establishment and maintenance of internal controls over the financial reporting process is required by current accounting standards.

Like many local units of government of a similar size, the Consortium uses auditor intervention to assist in the formatting of the financial statements and the drafting of the related note disclosures.

The Consortium's management possesses the skill and knowledge to prepare and monitor the annual budget and does understand all of the information included in the annual financial statements.

Due to the size and budget constraints of the Consortium we do not recommend any changes in procedures at this time.

The Consortium agrees and should the current situation change resources and staff will be allocated for education and monitoring to eliminate auditor intervention.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

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### C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

#### FINDINGS

##### (07-3) Cash Management

Our audit procedures revealed excess cash on hand for the WIA Youth grant program in the WIA cluster, C.F.D.A. Number 17.259. This was caused by management requesting and receiving cash in advance of incurring expenditures.

The effect of this error is minimal as the excess cash was carried over to the subsequent grant period and expenditures were incurred in the subsequent grant period resulting in all excess cash being spent by June 30, 2007.

We recommend that the Consortium review the federal cash management requirements and adopt policies and procedures to comply with cash management requirements.

The Consortium concurs and has begun reviewing cash management requirements and developing policies and procedures to comply with the requirement.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2007

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PRIOR AUDIT FINDINGS

There were no findings or questioned costs disclosed during the audit of the major federal award program.